

CIRCULAR LETTER

Intended to

ALL COMMERCIAL BANKS  
IN INDONESIA

Concerning: Calculation of Secondary Statutory Reserve in Rupiah

As stipulated in Article 4A Bank Indonesia Regulation Number 10/25/PBI/2008 concerning Amendment on Bank Indonesia Regulation Number 10/19/PBI/2008 concerning Commercial Bank Statutory Reserve in Bank Indonesia in Rupiah and Foreign Currency, procedures of Secondary Statutory Reserve GWM fulfillment in rupiah will be governed further in Bank Indonesia Circular Letter. In line with that, it is deemed necessary to govern further on the calculation procedure of Secondary GWM in rupiah as follows:

I. GENERAL

1. In accordance to Article 2 of Bank Indonesia Regulation Number 10/25/PBI/2008 concerning Amendment on Bank Indonesia Regulation Number 10/19/PBI/2008 concerning Commercial Bank Statutory Reserve in Bank Indonesia in Rupiah and Foreign Currency, Banks are obliged to fulfill GWM in rupiah which consist of Primary GWM and Secondary GWM.
2. Secondary GWM is minimum reserve that is obliged to be maintained by the Bank in the form of Bank Indonesia Certificate, Government Securities, Government Sharia Securities and/or Excess Reserve, which the amount is determined by Bank Indonesia at a certain percentage from Third Party Fund (DPK). In accordance to the recent applicable Bank Indonesia Regulation, the Secondary GWM percentage in rupiah is determined as 2.5% (two point five percent) from DPK in rupiah. This percentage might be adjusted from time to time by considering the economy condition and Bank Indonesia policy direction.

3. In this Circular Letter, what is meant by:
- a. Bank Indonesia Certificate hereinafter called as SBI are securities in rupiah currency that are issued by Bank Indonesia as the acknowledgement of short term loan.
  - b. Government Bonds hereinafter called as SBN are securities in the form of Government Securities in rupiah currency and/or securities in accordance to sharia principles in rupiah currency that are issued by the government.
  - c. Government Securities hereinafter called as SUN is the debt acknowledgement that is issued by the Government of Republic of Indonesia as referred to in Legislations that govern Government Securities, but limited only in rupiah currency.
  - d. Government Obligations hereinafter called as ON are SUN with the period of more than 12 (twelve) months with coupon and/or by interest payment by discount.
  - e. Treasury Bills hereinafter called as SPN are SUN with the period up to 12 (twelve) months with interest payment by discount.
  - f. Government Sharia Securities hereinafter called as SBSN, or can be called as Sukuk Negara, is government securities that are issued based on sharia principle as the proof of the inclusion towards SBSN Assets, as referred to in Legislations that govern Government Sharia Securities, but limited to rupiah currency.
  - g. Excess Reserve is the exceeding amount balance of Bank Rupiah Demand Deposit from Primary GWM that is maintained at Bank Indonesia.
  - h. Bank Indonesia-Scripless Securities Settlement System hereinafter called as BI-SSSS is a mean of transaction with Bank Indonesia including the administration and securities administration electronically and directly connected between the participants of BI-SSSS, organizer of BI-SSSS and Bank Indonesia-Real Time Gross Settlement (BI-RTGS) System.
  - i. Sub-account of Investment on BI-SSSS is sub-account to accommodate the recording of securities ownership which is obtained from bank participant

within the framework of government program which is banking recapitalization program.

- j. Sub-account of Trading or active on BI-SSSS is sub-account to accommodate the recording of securities ownership that can be traded either from Sub-account of Investment as well as result of securities purchasing at primary market and at secondary market.

## II. PROCEDURE OF SECONDARY GWM CALCULATION IN RUPIAH

The procedure of Secondary GWM calculation in rupiah is determined as follows:

### 1. Calculated Components

- a. Components that are calculated as reserve in the fulfillment of Secondary GWM in rupiah:

- 1) SBI for all period.
- 2) SBN, that includes:
  - a) SUN which are ON and/or SPN, for the entire type and period, not including untradeable SUN; and
  - b) SBSN for the entire type and period, not including untradeable SBSN.
- 3) Excess Reserve.

- b. SBI and SBN that can be calculated in the fulfillment of Secondary GWM in rupiah are SBI, SUN, and/or SBSN owned by Banks that are recorded in Bank securities account in BI-SSSS, that are in:

- 1) Sub-account of Investment; and/or
  - 2) Sub-account of Trading or active.
- but not including SBI, SUN, and/or SBSN owned by Bank that are recorded in sub-registry securities account.

### 2. Sources of Data and Value that are Used

- a. Determination of the amount of SBI and SBN that are owned by Bank is conducted based on the recorded data of Bank securities account at BI-

SSSS as referred to in number 1 letter b above, at the end of the day position which is at BI-SSSS cut off time.

- b. SBI and SBN Value that are used in the calculation of Secondary GWM is the market value that is listed at BI-SSSS for the referred SBI and SBN.

### 3. GWM Requirement Calculation

Secondary GWM requirement in rupiah is calculated by comparing the amount of SBI, SUN, SBSN, and/or Excess Reserve owned by Bank that are recorded at Bank Indonesia at every end of the day in 1 (one) reporting period towards daily average of DPK amount in 1 (one) reporting period at 2 (two) previous reporting periods.

Secondary GWM calculation formula in rupiah is as follows:

$$\frac{SBI + SUN + SBSN + Excess Reserve}{Daily average of Bank DPK amount in 1(one) reporting period in 2(two) previous reporting periods} \times 100\%$$

## III. SANCTION

Banks that violate GWM requirement will be penalized with sanction as listed in Article 13 and Article 14 of Bank Indonesia Regulation Number 10/25/PBI/2008 concerning Amendment on Bank Indonesia Regulation Number 10/19/PBI/2008 concerning Commercial Bank Statutory Reserve Requirement in Rupiah and Foreign Currency.

The calculation of paying obligation sanction for Banks that violate the obligation of GWM requirement in rupiah, for primary GWM in rupiah as well as Secondary GWM in rupiah, is performed with the following formula:

$$\frac{Deficit\ of\ GWM \times 125\% \times JIBOR\ interest\ rate \times working\ day(s)}{360 \times 100}$$

JIBOR (Jakarta Interbank Offered Rate) that is used is the average of JIBOR in rupiah in 1 (one) overnight period on the day of violation occurrence.

#### IV. EXAMPLE OF THE CALCULATION OF GWM REQUIREMENT IN RUPIAH AND PAYING OBLIGATION SANCTION

##### 1. Example of GWM calculation in rupiah:

Bank A has daily average DPK in rupiah in reporting period since 8<sup>th</sup> until 15<sup>th</sup> October is as much as Rp55.000.000.000.000,00 (fifty five trillion rupiah).

Based on the referred data, daily GWM in rupiah that is obliged to be fulfilled for the reporting period since 24<sup>th</sup> until the end of October is as follows:

- a. Primary GWM in rupiah is as much as 5% (five percent) from Rp55.000.000.000.000,00 (fifty five trillion rupiah), which is Rp2.750.000.000.000,00 (two trillion seven hundred and fifty billion rupiah); and
- b. Secondary GWM in rupiah is as much as 2.5% (two point five percent) from Rp55.000.000.000.000,00 (fifty five trillion rupiah), which is Rp1.375.000.000.000,00 (one trillion three hundred and seventy five billion rupiah).

Composition of the balance of Bank A Demand Deposit at Bank Indonesia, SBI and SBN owned by Bank that are recorded in Bank securities account at BI-SSSS (in Sub-account of Investment and/or Sub-account of Trade or active) is as follows:

(in million rupiah)

Date	Balance of Rupiah Demand Deposit	SBI and SBN
24 <sup>th</sup> October	Rp3.500.000,00	Rp1.500.000,00
25 <sup>th</sup> October	Rp3.500.000,00	Rp1.500.000,00
26 <sup>th</sup> October	Rp2.750.000,00	Rp1.500.000,00
27 <sup>th</sup> October	Rp2.000.000,00	Rp1.500.000,00
28 <sup>th</sup> October	Rp2.500.000,00	Rp1.325.000,00

29 <sup>th</sup> October	Rp2.750.000,00	Rp1.350.000,00
30 <sup>th</sup> October	Rp2.750.000,00	Rp1.375.000,00
31 <sup>st</sup> October	Rp2.750.000,00	Rp1.375.000,00

Assumption: 24<sup>th</sup> October and 31<sup>st</sup> October is Saturday, while 25<sup>th</sup> October is Sunday.

The calculation of Secondary GWM requirement in rupiah for Bank A is performed as follows:

(in million rupiah)

Date	SBI and SBN (1)	Excess Reserve (2) = Demand deposit in BI subtracted by Demand Deposit in BI for Primary GWM	Total  (3) = (1) + (2)	Secondary GWM Percentage  (4) = (3) divided by Average DPK	Note (Fulfilling / Not Fulfilling)
24 <sup>th</sup> October	Rp1.500.000, 00	Rp750.000, 00	Rp2.250.000, 00	4,09%	Fulfilled
25 <sup>th</sup> October	Rp1.500.000, 00	Rp750.000, 00	Rp2.250.000, 00	4,09%	Fulfilled
26 <sup>th</sup> October	Rp1.500.000, 00	Rp0	Rp1.500.000, 00	2,73%	Fulfilled
27 <sup>th</sup> October	Rp1.500.000, 00	Rp0  (Bank is deficit of Primary GWM in	Rp1.500.000, 00	2,73%	Bank is deficit of Primary GWM as much as Rp750.000,00 (Rp2.000.000,

		rupiah)			00 – Rp2.750.000,00)  The deficit of Primary GWM cannot be fulfilled from the excess of Secondary GWM.
28 <sup>th</sup> October	Rp1.325.000,00	Rp0  (Bank is deficit of Primary GWM in rupiah)	Rp1.325.000,00	2,41%	Bank is deficit of Primary GWM as much as Rp250.000,00 (Rp2.500.000,00 – Rp2.750.000,00) and the deficit of Secondary GWM is Rp50.000,00 (Rp1.325.000,00 – Rp1.375.000,00)
29 <sup>th</sup> October	Rp1.350.000,00	Rp0	Rp1.350.000,00	2,45%	Bank is deficit of Secondary GWM as much as Rp25.000,00 (Rp1.350.000,00 – Rp1.375.000,00)
30 <sup>th</sup> October	Rp1.375.000,00	Rp0	Rp1.375.000,00	2,5%	Fulfilled

31 <sup>st</sup> October	Rp1.375.000,00	Rp0	Rp1.375.000,00	2,5%	Fulfilled
-----------------------------	----------------	-----	----------------	------	-----------

## 2. Example of Sanction Calculation

Based on the example of the calculation of GWM in rupiah at number 1, the sanction calculation of violation on Secondary GWM in rupiah on 27<sup>th</sup>, 28<sup>th</sup>, and 29<sup>th</sup> October is as follows:

- a. On 27<sup>th</sup> October, balance of account of Bank A Demand Deposit at Bank Indonesia is as much as Rp2.000.000.000.000,00, (two trillion rupiah) therefore there is deficit in the fulfillment of Primary GWM in rupiah as much as Rp750.000.000.000,00 (seven hundred and fifty billion rupiah).

If it is assumed that the average JIBOR overnight interest rate in rupiah on 27<sup>th</sup> October is 6% (six percent), then the calculation of paying obligation sanction on violation of Primary GWM in rupiah for Bank A on 27<sup>th</sup> October is as follows:

$$\frac{\text{Deficit of GWM} \times 125\% \times \text{JIBOR interest rate} \times \text{working day(s)}}{360 \times 100}$$

which is

$$\frac{\text{Rp750.000.000.000,00} \times 1,25 \times 6 \times 1}{360 \times 100}$$

- b. On 28<sup>th</sup> October, balance of account of Bank A Demand Deposit in Bank Indonesia is Rp2.500.000.000.000,00 (two trillion and five hundred billion rupiah) and Bank has SBI, SUN, and/or SBSN of Rp1.325.000.000.000,00 (one trillion and three hundred twenty five billion rupiah) therefore there is deficit in GWM fulfillment as much as Rp300.000.000.000,00 (three hundred billion rupiah), which consists of deficit of Primary GWM fulfillment as much as Rp250.000.000.000,00 (two hundred and fifty billion rupiah) and the deficit of Secondary GWN fulfillment in rupiah as much as Rp50.000.000.000,00 (fifty billion rupiah).



If it is assumed that average JIBOR overnight interest rate in rupiah on 28<sup>th</sup> October is 6% (six percent), then the calculation of paying obligation sanction on GWM rupiah violation for Bank A on 28<sup>th</sup> October is as follows:

$$\frac{\text{Deficit of GWM} \times 125\% \times \text{JIBOR interest rate} \times \text{working day(s)}}{360 \times 100}$$

which is

$$\frac{\text{Rp}300.000.000.000,00 \times 1,25 \times 6 \times 1}{360 \times 100}$$

- c. On 29<sup>th</sup> October, there is a deficit in Secondary GWM fulfillment in rupiah of Rp25.000.000.000,00 (twenty five billion rupiah).

If it is assumed that average JIBOR interest rate overnight in rupiah on 29<sup>th</sup> October is 6% (six percent), then the calculation of paying obligation sanction on the violation of Secondary GWM in rupiah for Bank A on 29<sup>th</sup> October is as follows:

$$\frac{\text{Deficit of GWM} \times 125\% \times \text{JIBOR interest rate} \times \text{working day(s)}}{360 \times 100}$$

which is

$$\frac{\text{Rp}250.000.000.000,00 \times 1,25 \times 6 \times 1}{360 \times 100}$$

## V. CLOSURE

Provisions in this Bank Indonesia Circular Letter come into force on 24<sup>th</sup> October 2009.

So as to inform every person concerned, dictating the placement of this Bank Indonesia Circular Letter in the State Gazette of Republic of Indonesia.

Thus for Your acknowledgement.

BANK INDONESIA,

MULIAMAN D. HADAD

DEPUTY GOVERNOR